# Retiree Advisor

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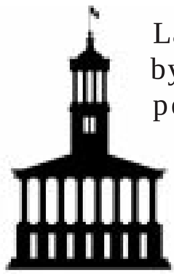
## Cost-of-Living Benefit Enhanced



Last year the General Assembly changed the method by which the Cost-of-Living Adjustment (COLA) percentage will be applied. Your COLA is now calculated on your current benefit rather than your initial benefit at retirement. The previous method was often referred to as a simple COLA, while the current method is called a compound COLA. This benefit improvement was enacted by the General Assembly at a cost exceeding $100 million a year.

A person retired from a political subdivision is granted a COLA if the local governing body has passed a resolution approving the COLA. Local governments would also have to pass a resolution to change from the simple COLA to the compound COLA.

### Other Improvements Made

The General Assembly also made a change to the way the COLA is calculated. Previously, if the Consumer Price Index (CPI) was below 1%, a COLA was not granted. Further, if there was a period of deflation where the CPI was negative, then a decrease in benefits would occur. Now, if the CPI is between .5% and 1%, the COLA will be 1%. If the CPI is between 1% and 3%, the COLA will be the actual percent. If the CPI is above 3%, the COLA will be 3%. If a period of deflation occurs, there will be no reduction of benefits.

### July COLA Increase is 1.7%

The CPI during calendar year 1997 increased 1.7%, thus your benefit will increase 1.7%. The increase will be reflected on your July retirement check. If withholding taxes are deducted from your benefit, the amount of the deduction may change due to the COLA.

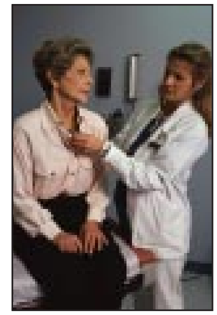
### State Support of Medicare Supplement Increased

The General Assembly increased the annual appropriation by 33% from $5.2 million to $7 million to increase the state support for the Medicare supplement insurance. The maximum monthly support for retired state employees and teachers increased from $30 to $40. The varying support levels based on service are as follows:

| Years of Service | Monthly Support |
|---|---|
| Less than 15 | None |
| 15 to 19 | $20 |
| 20 to 29 | 30 |
| 30 or more | 40 |

The change will take place with the July 31 payment. This benefit is optional to the governing bodies of political subdivisions.

## Tap Into Your Insurance Options



The State of Tennessee will conduct the Annual Enrollment/Transfer Period from October 15 to November 13, 1998 for participants enrolled in either the state group, teacher group or local government insurance programs. (This does not include participants in the Medicare supplement insurance program.) You will receive materials from the Division of Insurance Administration and from insurance companies at your home address. Please read the materials. They contain important information on insurance options available to you.

## Important Numbers

Retired Payroll: (615) 741-4913
Toll Free TCRS: 800-770-8277

Blue Cross/Blue Shield
Medicare Supplement: 800-221-7828
Group Insurance: 800-558-6213

Social Security: 800-772-1213

Web Site:
www.treasury.state.tn.us/tcrs.htm

# TCRS Continues to be Properly Funded

In 1975 the TCRS embarked on a plan to fund its accrued liability associated with the basic benefit over a 40 year period. Accrued liability is commonly known as liability associated with past service. At that time, the plan had assets on hand of $.7 billion and liabilities of over $2 billion. In 1977 the funding of the liability associated with cost-of-living was shifted from a pay-as-you-go basis to a stronger, pre-funded method.

Since 1975 the TCRS board of trustees has adopted the actuary's funding recommendations and the legislature has consistently appropriated the funds necessary to support the funding plan. As a result of this action and the exceptional financial markets, the system now has no unfunded past service liability. This means that the contributions made this year will fund the additional retirement liability actually accrued this year. No past service contributions are required.

Next year, TCRS employers will contribute over $230 million to properly fund the benefits to be earned in that period. The legislature has appropriated sufficient money to pay the state's part of this obligation and the remaining participating employers will be required to contribute at the actuarially recommended level.

TCRS retired members should rest assured that the system will be able to meet its obligations without creating an undue burden on future generations of taxpayers.

**What are the TCRS Funding Sources?**

The average age of retiring TCRS teachers is 62. Based on the TCRS actuary's mortality projections, the "typical" teacher retiring this year at age 62 may expect to live for about 24 years after retirement. What are the funding sources for that typical benefit?

| **Years Funded By:** | |
|---|---|
| Member Contributions | 1.3 years |
| Employer Contributions | 3.1 years |
| Investment Earnings | 19.6 years |
| Total | 24.0 years |

## New Board Member

Welcome to Mahlon Bryan of Hamblen County, who was elected to serve a three-year term on the Tennessee Consolidated Retirement System's Board of Trustees. The Tennessee Education Association elected Bryan as its East Tennessee representative.

## TCRS is Ready for the Year 2000

"Some of you have expressed concern over what will happen to your checks in the year 2000," said TCRS Director Steve Curry. "We are pleased to report that our retired payroll system is year 2000 compliant. We do not foresee any problems with issuing checks at the turn of the century."

The *Retiree Advisor* is a publication of TCRS, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230, (615) 741-4913 or 1-800-770-8277.

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